

On December 2, 2014, the Jasper Redevelopment Commission held another of a number of open, community information sessions concerning development of a Tax Increment Financing District for the benefit of the community of Jasper. Jasper Redevelopment Commission members were present along with City Staff, Redevelopment Expert Ed Curtin, and community members. Questions were posed in person and electronically. Those questions are presented in summary, here.

QUESTION: TIF SIZE – WHY BEGIN WITH SUCH A LARGE TIF?

SHORT ANSWER: You must include enough land/development so that you get adequate incremental financing to accomplish the goals. If you draw the area too small, and/or only around areas that are already heavily developed, you're not going to get any increment financing and therefore the tool would be ineffective.

ANSWER: TIF size is directly related to the goals of the TIF. In this case, one goal of the TIF is to enhance the City's ability to develop the downtown and riverfront area. Due to the fact that much of the downtown is already developed, the opportunity for new increment is very low. Therefore, in order maximize the effectiveness of TIF as a tool, the TIF must be larger in order to capture enough incremental tax dollars to be viable for projects. Ideally the City would hope for new development throughout the entire area. The likelihood of that happening is not very high. So, the TIF is developed in order to place the City in a position to respond to development and the needs of business.

EXAMPLE: TIF funds would likely be used to leverage larger funding sources. For example, often projects involve multiple funding sources. For example, the City would like to continue its multi-use trail. Much of that project might be funded via the Indiana Department of Transportation (INDOT). INDOT requires a 20% match. TIF funds could be used as the match funds to leverage the balance from other sources. So the amount of money that the City or Commission has to invest is much lower than the total project cost. The City is able to accomplish the project without the use of general fund dollars.

QUESTION: IS A TIF GOING TO CRIPPLE OTHER TAXING UNITS SUCH AS THE COUNTY AND THE SCHOOL?

SHORT ANSWER: TIF will not take any existing tax dollars away from any other taxing units.

ANSWER: The only time there is any impact is when there is **new development** that leads to incremental tax dollars. Even this impact is relatively small compared to the tax dollars that the entities are typically receiving from the existing base. In some cases there is no impact. Based on the tax impact study that has been provided, the impact to local taxing entities is minimal.

QUESTION: WHY CREATE TIF AT ALL?

ANSWER: TIF provides many benefits to communities across the state including:

1. TIF dollars can be automatically returned to the TIF area to benefit it.
2. TIF offers additional dollars and economic incentive alternatives for the City that it otherwise would not have.
3. It is a means by which the City is able to focus additional incremental property tax dollars to a specific area for projects without using general fund revenues.
4. TIF provides the City a financial vehicle that is required to be competitive in the marketplace to attract business.

5. TIF shows a welcoming and business friendly atmosphere. This is a necessary component to be competitive in today's market.
6. It is a method of funding to finance projects that improve the City's quality of place.

EXAMPLE: A business moves into the TIF area, for example, the industrial park on the south side of Jasper. This area has no additional infrastructure needs. The business moves in without requesting any tax incentives. This results in incremental tax dollars that are captured by the TIF. The tax dollars captured by the TIF can be used to benefit any project in the TIF district. Therefore the City has funds available to it to be FOCUSED on projects within the TIF District that benefit the entire City without having to impact the general fund. These type projects have been listed in the Economic Development Plan. These are projects that would not develop on their own without some financial incentive because there is just not a viable way to generate revenue.

QUESTION MUST A TIF LAST FOR 25 YEARS? IF SO, WHY?

ANSWER: The 25 year period is really used to maximize the usefulness of the TIF. In most cases, TIF dollars are used to leverage larger investments such as an economic development bond. In order to assure the availability of an economic development bond, the period of 25 years is used in order to allow for feasible bond payments and acceptable terms. Thus requirements of financial institutions dictate the need for a 25 year TIF.

QUESTION: ONCE THE MONEY GOES INTO THE TIF DISTRICT WHO CONTROLS HOW IT'S SPENT?

ANSWER: The funds reside with the Clerk-Treasurer's Office. The main focus for use of the money would be as leverage for additional funding vehicles. The power of the TIF dollars comes from the ability to leverage those incremental dollars for much larger projects. For larger projects where bonding would be the preferred method of funding, the Redevelopment Commission would be required to work with the Council for approval. In those instances, the Redevelopment Commission would begin that process, but the Council would also have to approve it.

The Redevelopment Commission has authority and can use the money for "pay as you go" projects. Only those projects consistent with the Economic Development Plan would be eligible.

REMEMBER: The Plan, including all enumerated projects, will have been presented to the Redevelopment Commission, the Plan Commission, the Common Council, and the Public, at a hearing, in order to be approved. In this respect, the RDC is similar to any other board that serves the City, i.e. Park Board, Stormwater Board, Art Commission, etc.

EXAMPLE: If there is a proposal to spend dollars on something that has not been enumerated in the Plan or is arguably inconsistent with the Plan, then the Council, or anyone, could argue with the Redevelopment Commission that those dollars should not be used. Otherwise, if it's a project that's already in the Plan or something that is consistent with the Plan itself, then the Redevelopment Commission has authority to spend the dollars. IF THE TIF MONEY IS INTENDED TO BE USED IN ANY TYPE OF BOND, COUNCIL APPROVAL MUST BE OBTAINED.

ASIDE: **The Common Council must approve any change to the Economic Development Plan.**

QUESTION WHAT HAPPENS IF THERE IS AN UNALLOCATED BALANCE IN THE ALLOCATION FUND?

ANSWER: The RDC is required to make an annual determination of whether all TIF proceeds will be used. If not, once the balance exceeds the legal limit, the balance must be passed through to the City to the County for distribution to other taxing units.

QUESTION WHO WOULD OVERSEE PROJECTS FUNDED BY TIF?

ANSWER The department and/or board that would oversee any project would depend entirely on the type of project. The Redevelopment Commission could take the lead or they could pass the project on without taking any active role. There could also be another agency such as the Parks Department, Board of Public Works, Utilities, etc. It depends on the individual project and how the Commission would end up partnering on those particular projects.

QUESTION HOW WILL TIF PROCEEDS BE SPENT?

ANSWER: It is impossible to identify the exact use to which the TIF funds will be placed, for several reasons:

1. Strategically leveraging those funds for new businesses is a goal of the TIF and there is no way for us to know who those new businesses will be and how those dollars will be spent or what financial mechanism will be requested.
2. The foundation for the TIF district is the economic development plan. The Plan identifies approximately 16 to 18 projects in no particular order, that are consistent with what is called for in the City's Comprehensive Plan. When the incremental tax dollars accumulate, the City will be able use TIF funds to conduct those infrastructure and other economic development projects for which other resources are not available. Those enumerated projects have not been prioritized. This is why the RDC goes through the public process of creating the Economic Development Plan and identifying projects that the City believes are important to be included because they are consistent with the Comprehensive Plan and the Downtown Master Plan. The best that we can do right now is to identify projects that that are important to the economic development of the City.

The Economic Development Plan is passed through this process (the Redevelopment Commission, the Plan Commission, the Council, and back to the Redevelopment Commission with a public hearing) to give the entire community and all of the officials the opportunity to look at the Plan and to comment as to whether they think the Plan is in compliance with and conforms to our development plans for the City. By passing the Plan, there is an implied understanding, that because the plan complies with our City's economic development goals, then the projects included in the Plan are also supported by these groups. It follows further, that if the Redevelopment Commission were to decide, with the assistance of Council, because we have Council representatives, the Mayor, and staff, that a project should be the first on the priority list then when those funds become available. We could focus those TIF funds on that project. The RDC does not have the discretion to spend TIF funds on random projects. That is just not how it works.

FUNDING COODINATION: It should be noted that while the City would hope to use TIF dollars as a funding source for many of the projects included in the proposed Economic Development Plan, use of TIF dollars would be only one (1) of a number of funding sources. For example, public-private partnerships are desired and encouraged. In addition, there may also be grant funds available, interlocal agreements where the City works with other government entities, etc.

QUESTION: WHO APPOINTS THE REDEVELOPMENT COMMISSION MEMBERS?

SHORT ANSWER: The Mayor and the Common Council.

ANSWER: The Redevelopment Commission is made up of five (5) voting members and one (1) non-voting member. The five (5) voting members consist of two (2) members appointed by the Common Council and three (3) members appointed by the Mayor. The appointees are at will and can be removed at the will of the Council and the Mayor respectively.

NOTE: The Redevelopment Commission is tasked with working in conjunction with multiple groups to accomplish the goals of the Economic Development Plan. Thus, the RDC must work with the City Council, the Plan Commission, the Mayor's office, and multiple other groups within the City to conduct projects.

FURTHERMORE: By statute, the non-voting member of the RDC will always be a school board representative. The Redevelopment Commission ends up being the vehicle to implement the plans and the projects that are approved by the Council.

QUESTION: **WHY SHOULD YOU INCLUDE AREAS THAT DO NOT NEED INFRASTRUCTURE DEVELOPMENT?**

ANSWER: TIF is really intended to provide a tool for businesses to make it easier for them to be successful.

EXAMPLE: A business that is considering Jasper for expansion needs financial incentive/assistance to purchase equipment, then tax increment financing can serve as a vehicle to accomplish that assistance. So even though the infrastructure is in place, TIF can be used to assist the business. **You can't do that with tax abatement.**

EXAMPLE: A business is considering a location in Jasper but their power needs are substantially higher than what is currently available. Even though the infrastructure is technically there, it's not sufficient for the business. TIF can serve as a vehicle to accomplish that assistance.

QUESTION: **DOES TIF AFFECT THE BASE VALUATION AND RELATED TAXES OF THE INCLUDED PROPERTY?**

SHORT ANSWER: No.

ANSWER: The base value of the TIF Allocation Area is not "frozen." If the market value of the property goes up, then the other taxing units get the benefit of that increase in property value. The increase in market value/assessment is NOT captured by the TIF. As the value of the base increases through reassessment, all those dollars continue to go to all the taxing units because that base value continues to go up. None of the new assessed value goes to the Redevelopment Commission. It's only the increment on new development.

Furthermore, one could assume that new development that is a result of the TIF will further increase the value of the base. The base will continue to grow as new development is added. This base growth is to the benefit of all taxing units. It is **NOT** captured by the TIF. This further minimizes the impact of the TIF on other taxing units.

EXAMPLE: A piece of property, within the TIF district, is situated next to a vacant lot or vacant building. The property has an assessed value of \$10,000. Five years later, that same property is situated next to a thriving business that resulted from use of TIF funds as an economic incentive. It is very likely that the original piece of property will have increased in value, certainly not decreased in value, and all taxing units benefit from that increase; TIF does not capture those additional tax dollars.

QUESTION WHAT IS THE ECONOMIC DEVELOPMENT PLAN?

ANSWER: The Economic Development Plan is a plan, based on the City's Comprehensive Plan, which identifies goals for the economic development of the City. It serves as the basis for establishment of the TIF area.

QUESTION WHY DO WE NEED TIF IF WE ALREADY HAVE TAX ABATEMENT?

ANSWER: Tax abatement will not always satisfy the needs of a new or expanding business. Where a business needs financial support at the beginning of a project, TIF funds can be pledged to payment on an economic development bond so that the business has capital on the front end of a project for projects such as locations of streets, utilities, business site, equipment, etc. Tax Abatement is not available for those business needs. Tax abatement tends to provide more of an operational incentive for a business. Having both options available to business is critical to the economic development of a community.

QUESTION CAN TAX ABATEMENT BE USED IN THE SAME PROJECT AS TIF?

ANSWER: Tax abatement and use of TIF funds are NOT mutually exclusive. The Economic Development Commission and the Redevelopment Commission would work together and a determination would be made regarding which would be most beneficial. A combination of tax abatement and TIF funding can be used together. However, the tax abatement period might be reduced to account for use of the TIF funds.

QUESTION DOES TIF REALLY TAKE TAX REVENUE AWAY FROM OTHER TAXING UNITS?

SHORT ANSWER: No.

ANSWER: TIF does not collect any of the existing property tax dollars from any taxing units AND TIF does not acquire any property tax dollars that are related to the tax base established at the beginning of the TIF. The General fund tax levy of the City will remain the same.

Furthermore, the premise underlying the creation of the TIF is that there are areas in our community that are either undeveloped or underdeveloped and will not develop normally without the financial support/incentive of TIF. Through use of TIF, the RDC is encouraging development of these underdeveloped areas within the TIF. If we don't have the TIF then very likely those areas won't develop. If there is no development, then there are no incremental taxes to be collected by ANY taxing unit. Hence the proposition that TIF DOES NOT TAKE ANY TAXES AWAY FROM OTHER TAXING UNITS.

Although other taxing units forego a rate reduction due to incremental property taxes, the dollars they collect will be and same and the community benefits from the new jobs, employee income and spending, local income taxes, economic activity and, eventually, from increased property tax revenue that would not have occurred without the TIF. Most times, the new personal property taxes are not captured as TIF, and immediately increase the tax base. The new infrastructure also helps attract additional business growth to the TIF area and surrounding areas.

QUESTION WHAT IS THE RELATIONSHIP, IF ANY, BETWEEN CREATION OF THE TIF AND THE CITY'S REDEVELOPMENT EXPERT?

ANSWER: Mr. Curtin is a hired redevelopment expert and that is his only interest in the project. He doesn't have an investment interest at all in the creation of the TIF or in any property within the TIF.

QUESTION WHAT HAPPENS IF A BUSINESS WITHIN THE TIF FAILS?

ANSWER: If a new business within the TIF fails, then new increment isn't generated so if the building becomes vacant and it's going to be reassessed and that assessed value will likely go back down again. So that increment will cease to come back into the Redevelopment Commission. On a larger project, it is recommended that the business be required to provide a performance bond so that if the business does not succeed and cannot meet its obligations, then there is an instrument that is in the Redevelopment Commission's hands so that the City is not left responsible for any bond going forward.

If value of the base begins to drop, the increment that is generated in a particular TIF area goes to help make up the difference with the base so that base isn't unduly injured because of a change in the economy or a change in the assessed value. The intent is that the base always remains whole.

QUESTION HOW AND WHEN IS THE BASE ASSESSMENT ESTABLISHED?

ANSWER: The base value for purposes of the TIF is the value as of March 1 immediately before the TIF is established.

EXAMPLE: If the City passes/establishes the TIF by February 28, 2015, the base will be the assessed value as of March 1st of 2014.

QUESTION HOW DOES TIF WORK WITH RESIDENTIAL PROPERTY?

ANSWER: Residential improvement is not included in the TIF.

QUESTION HOW DO THEY DISTINGUISH BETWEEN INCREASE IN ASSESSED VALUE RELATED TO MARKET CHANGES VERSUS INCREASE RELATED TO IMPROVEMENT?

ANSWER: When a developer gets a building permit for new construction in the allocation area the new construction is what the increment would be based on. But if the value of the property has increased because the whole area value has increased, none of that new value goes to the increment or to the allocation area. Often the building permit application triggers assessment by the County.